

ORDER NO. 3561

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;  
Nanci E. Langley, Vice Chairman;  
Mark Acton; and  
Tony Hammond

Competitive Product Prices  
Global Reseller Expedited Package Services 2  
(MC2013-51)  
Negotiated Service Agreement

Docket No. CP2016-166

ORDER APPROVING MODIFICATION TO  
GLOBAL RESELLER EXPEDITED PACKAGE SERVICES 2  
NEGOTIATED SERVICE AGREEMENT

(Issued October 12, 2016)

I. INTRODUCTION

The Postal Service seeks to modify a Global Reseller Expedited Package Services 2 negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves the Modification.

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<sup>1</sup> Notice of the United States Postal Service of Filing Modification Two to a Global Reseller Expedited Package Contracts 2 Negotiated Service Agreement, September 30, 2016 (Notice). The modification is an attachment to the Notice (Modification).

In Order No. 3316, the Commission approved the Global Reseller Expedited Package Services 2 negotiated service agreement (Existing Agreement).<sup>2</sup> On September 30, 2016, the Postal Service filed notice that it has agreed to the Modification to the Existing Agreement. On October 3, 2016, the Commission issued a notice reopening this docket to consider the Modification, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>3</sup>

The Postal Service intends for the Modification to become effective on October 15, 2016. Notice at 1.

## II. COMMENTS

Comments were filed by the Public Representative.<sup>4</sup> No other person submitted comments. The Public Representative reviewed the Modification, the Existing Agreement, and the financial model filed under seal. PR Comments at 2. Based on that review, he concludes that the Existing Agreement, as modified, should continue to generate sufficient revenues to cover costs and satisfy 39 U.S.C. § 3633(a). *Id.*

## III. COMMISSION ANALYSIS

The Commission has reviewed the Notice and the comments filed by the Public Representative.

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's

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<sup>2</sup> See Order Approving Additional Global Reseller Expedited Package Services 2 Negotiated Service Agreement, May 23, 2016 (Order No. 3316). The contract was later modified. See Order No. 3491, Order Approving Modification to Global Reseller Expedited Package Contracts 2 Negotiated Service Agreement, August 29, 2016.

<sup>3</sup> See Docket No. CP2016-149, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, October 3, 2016.

<sup>4</sup> Public Representative Comments on Postal Service Notice of Filing Modification Two to a Global Reseller Expedited Package Contracts 2 Negotiated Service Agreement, October 7, 2016 (PR Comments).

institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Modification amends the prices in Annex 3 of the Agreement. Notice, Attachment 1.

Based on a review of the record, the Commission finds that the Existing Agreement, as modified, should cover its attributable costs. Consequently, the Commission finds that the Modification should allow the Global Reseller Expedited Package Services 2 product to continue to comply with 39 U.S.C. § 3633(a)(2). For this reason, the Commission finds that the Modification should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the Modification is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). Accordingly, a preliminary review of the Modification indicates it is consistent with section 3633(a). The Commission will review the cost coverage of the Existing Agreement, as modified, the cost coverage of the Global Reseller Expedited Package Services 2 product, and the contribution of competitive products as a whole to the Postal Service's institutional costs in the Commission's Annual Compliance Determination to ensure that they continue to comply with 39 U.S.C. § 3633(a).

*Other considerations.* The Postal Service states that the Modification shall become effective on October 15, 2016. Notice at 1. The Existing Agreement, as modified, is set to expire one calendar year after the initial effective date unless, among

other things, either party terminates the contract with 30 days' written notice to the other party or it is renewed by mutual agreement.<sup>5</sup>

If the Existing Agreement, as modified, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as modified.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the Global Reseller Expedited Package Services 2 negotiated service agreement, as modified.
2. The Postal Service shall notify the Commission if the Existing Agreement, as modified, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble  
Secretary

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<sup>5</sup> See Notice of the United States Postal Service of Filing a Functionally Equivalent Global Reseller Expedited Package 2 Negotiated Service Agreement, May 12, 2016, Attachment 1 at 3. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.